



## Appendix A.

### Revenue Act of 1936.

#### “SEC. 111. DETERMINATION OF AMOUNT OF, AND RECOGNITION OF, GAIN OR LOSS.

“(a) COMPUTATION OF GAIN OR LOSS.—The gain from the sale or other disposition of property shall be the excess of the amount realized therefrom over the adjusted basis provided in section 113 (b) for determining gain, and the loss shall be the excess of the adjusted basis provided in such section for determining loss over the amount realized.

“(b) AMOUNT REALIZED.—The amount realized from the sale or other disposition of property shall be the sum of any money received plus the fair market value of the property (other than money) received.

#### “SEC. 112. RECOGNITION OF GAIN OR LOSS.

“(a) GENERAL RULE.—Upon the sale or exchange of property the entire amount of the gain or loss, determined under section 111, shall be recognized, except as hereinafter provided in this section.

“(b) EXCHANGES SOLELY IN KIND.—

. . . . .

“(3) STOCK FOR STOCK ON REORGANIZATION.—No gain or loss shall be recognized if stock or securities in a corporation a party to a reorganization are, in pursuance of the plan of reorganization, exchanged solely for stock or securities in such corporation or in another corporation a party to the reorganization.

. . . . .

“(g) DEFINITION OF REORGANIZATION.—As used in this section and section 113—

- “(1) The term ‘reorganization’ means \* \* \*
- (D) a recapitalization, \* \* \*.”

#### Regulations 94.

“*Art. 112(g)-3. Exchanges solely of stock or securities, or property, solely for stock or securities, in pursuance of plan of reorganization.*—No taxable income is received, nor is a deductible loss sustained, if the shareholders in a corporation a party to the following reorganization transactions exchange stock or securities solely for stock or securities of the same corporation, or of another corporation mentioned, or if one of such corporations transfers property to another of the corporations solely for stock or securities of such other corporation, in pursuance of the plan of reorganization:

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“(5) The exchange of stock or securities solely for stock or securities of the same corporation in the case of (a) a recapitalization of a corporation, \* \* \*.”

## Appendix B.

### Revenue Act of 1943.

#### “SEC. 121. REORGANIZATION OF CERTAIN INSOLVENT CORPORATIONS.

“(a) NONRECOGNITION OF GAIN OR LOSS ON CERTAIN REORGANIZATIONS.—Section 112 (b) (relating to recognition of gain or loss upon certain exchanges) is amended by inserting at the end thereof the following:

““(10) GAIN OR LOSS NOT RECOGNIZED ON REORGANIZATION OF CORPORATIONS IN CERTAIN RECEIVERSHIP AND BANKRUPTCY PROCEEDINGS.—No gain or loss shall be recognized if property of a corporation (other than a railroad corporation, as defined in section 77m of the National Bankruptcy Act, as amended) is transferred, in a taxable year of such corporation beginning after December 31, 1933, in pursuance of an order of the court having jurisdiction of such corporation—

““(A) in a receivership, foreclosure, or similar proceeding, or

““(B) in a proceeding under section 77B or Chapter X of the National Bankruptcy Act, as amended,

to another corporation organized or made use of to effectuate a plan or reorganization approved by the court in such proceeding, in exchange solely for stock or securities in such other corporation.’

“(b) RECOGNITION OF GAIN OR LOSS OF SECURITY HOLDERS IN CONNECTION WITH CERTAIN CORPORATE REORGANIZATIONS.—Section 112 (relating to recognition of gain or loss) is amended by inserting at the end thereof the following:

““(1) EXCHANGES BY SECURITY HOLDERS IN CONNECTION WITH CERTAIN CORPORATE REORGANIZATIONS.—

“(1) **GENERAL RULE.**—No gain or loss shall be recognized upon an exchange consisting of the relinquishment or extinguishment of stock or securities in a corporation the plan of reorganization of which is approved by the court in a proceeding described in subsection (b) (10), in consideration of the acquisition solely of stock or securities in a corporation organized or made use of to effectuate such plan of reorganization.

“(2) **EXCHANGE OCCURRING IN TAXABLE YEARS BEGINNING PRIOR TO JANUARY 1, 1943.**—If the exchange occurred in a taxable year of the person acquiring such stock or securities beginning prior to January 1, 1943, then, under regulations prescribed by the Commissioner with the approval of the Secretary, gain or loss shall be recognized or not recognized—

“(A) to the extent that it was recognized or not recognized in the final determination of the tax of such person for such taxable year, if such tax was finally determined prior to the ninetieth day after the date of the enactment of the Revenue Act of 1943; or

“(B) in cases to which subparagraph (A) is not applicable, to the extent that it would be recognized or not recognized under the latest treatment of such exchange by such person prior to December 15, 1943, in connection with his tax liability for such taxable year.’

. . . . .

“(e) **EFFECTIVE DATE.**—Provisions having the effect of the amendments made by subsection (a), subsection (c) (3), and subsection (d) (2), (3), (4), (5), and (6), shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1933, but shall not affect any tax liability for any taxable year beginning prior to January 1,

1943. Provisions having the effect of the amendments made by subsection (b), subsection (c) (1) and (2), and subsection (d) (1), shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1931."

### **Regulations.**

"Reg. 111, Sec. 29.112(1)-2. *Recognition of gain or loss upon exchange in taxable year beginning prior to January 1, 1943.*—

. . . . .

"(b) *No final determination prior to May 25, 1944.*— If an exchange described in section 112 (l) (1), or so much of section 112 (c) or (e) as relates to section 112 (l) (1), occurred in a taxable year beginning prior to January 1, 1943, and the tax for such taxable year was not finally determined prior to May 25, 1944, the recognition or nonrecognition of gain or loss shall depend upon the position last maintained by the taxpayer, prior to December 15, 1943, relative to the character of such exchange as one in which the entire amount of gain or loss is recognized or one in which all or a part of the gain or loss is not recognized. For the purposes of this section, such position must have been formally maintained by the taxpayer in his return or amended return for the taxable year, in a claim for refund, in a proceeding before a court or the Tax Court or the Board of Tax Appeals, or in some formal action taken in connection with a determination or proposed determination of his tax liability for such taxable year. If the taxpayer formally maintained that such exchange constituted a transaction upon which the entire amount of the gain or loss is recognized, then gain or loss, in the amount realized upon such exchange, shall be recognized. If the taxpayer formally maintained that such exchange constituted a transaction upon which all or a part of the gain or loss is not recognized, then gain or loss shall not be recognized except to the extent that gain is recognized under section 112 (c)."